

**MINUTES OF REGULAR MEETING
OPEN SESSION
FEBRUARY 10 and 11, 2009
ILLINOIS GAMING BOARD
CHICAGO, ILLINOIS**

NOTE: ITEMS IN **BOLDFACE PRINT** REFLECT OFFICIAL BOARD ACTIONS

On Tuesday, February 10, 2009 a Regular Meeting of the Illinois Gaming Board ("Board") was held in the conference room of the Gaming Board Offices on the 3rd floor at 160 N. LaSalle, Chicago, Illinois.

On Tuesday, February 10, 2009 at approximately 10:00 a.m. the following Board Members were present: Members Charles Gardner, Eugene Winkler, Joseph Moore and Jim Sullivan. Chairman Aaron Jaffe participated via telephone. At 10:00 a.m. on Tuesday, February 10, 2009, Member Gardner called the meeting to order. Pursuant to Section 2(c), paragraphs (1), (4), (11), (14) and (21) of the Open Meetings Act and Section 6(d) of the Riverboat Gambling Act, Member Gardner moved that **the Board retire to Closed Session to discuss the items listed under Closed Session on today's agenda and relating to the following subject matters:**

- 1. Pending Litigation and matters involving probable litigation;**
- 2. Investigations concerning applicants and licensees;**
- 3. Personnel matters;**
- 4. Closed session minutes; and**
- 5. Evidence and testimony presented in disciplinary hearings.**

Member Winkler seconded the motion. The Board approved the motion unanimously by roll call vote. The meeting recessed at 11:55 a.m.

On Wednesday, February 11, 2009 the meeting reconvened at 10:05 a.m. Present were the following Board Members: Chairman Aaron Jaffe, Members Charles Gardner, Eugene Winkler and James Sullivan and Joseph Moore.

The Board remained in Closed Session until approximately 11:10 a.m. The Board went into open session at 1:00 p.m. All members present with the exception of Member Winkler who participated in open session via telephone.

APPROVAL OF MINUTES

Member Moore moved that **the Board approve the closed session minutes of its Regular Meeting of January 12 & 13, 2009.** Member Gardner seconded the motion. The Board approved the motion unanimously by roll call vote.

Member Moore moved that **the board approve the open session minutes of its Regular Meeting of January 13, 2009.** Member Gardner seconded the motion. The Board approved the motion unanimously by roll call vote.

BOARD MEMBERS' COMMENTS –

Member Moore commented on a robbery that took place originating from a casino in Indiana. The patron had won a sizeable amount of money cashed out and preceded home. Upon arriving at home the patron was gunned down; money stolen. Member Moore asked that the staff at the casinos make sure that adequate safety is utilized while on casino property to the patrons. He urged staff to recommend to the patron to accept a credit voucher and also suggested that if the patron is looked after until entering their auto perhaps crimes like this won't occur.

ADMINISTRATOR'S REPORT –

Administrator Ostrowski announced that the April, 2009 Regular Board meeting will take place in Metropolis, Illinois and the May, 2009 Regular Board meeting will take place in Rock Island, Illinois.

PUBLIC COMMENTARY –

- Mayor Howard Frimark, City of Park Ridge –

Mayor Frimark addressed the Board referencing the 10th license being awarded to Des Plaines, Illinois. Mayor Frimark feels that this decision by the IGB will deeply affect the Park Ridge community. The Mayor stated that this will cause traffic congestion, de-value property, and increase crime, such as traffic violations and DUI's from alcohol consumption. The Mayor stated that he will seek compensation from the City of Des Plaines for extra police protection that will be necessary to ensure that the streets of Park Ridge are safe.

- Tom Swoik, Executive Director, Illinois Casino Gaming Association

Presentation by Tom Swoik -

Good afternoon

The legislative intent of the Riverboat Gambling Act states in part, "This Act is intended to benefit the people of the State of Illinois by assisting economic development and promoting Illinois tourism and by increasing the amount of revenues available to the State to assist and support education."

2008 was a difficult year for the gaming industry, especially in Illinois.

I have often heard the opponents of gaming say that casino taxes are not a stable and reliable source of revenue for the state, particularly education. I am here today to state publicly, that in over 18 years of casino gaming in Illinois, only three times have annual revenues generated by casino gambling failed to eclipse the previous year.

- The first occurred when 1996 revenues were below 1995 and then in 1997 when revenues

fell below 1996. In both periods new gaming venues opened in Indiana, pulling patrons from Illinois and causing a 10% decline in our revenues at the four northern casinos.

- The next time revenues decreased from the previous year was in 2003 when the state legislature enacted the tax rate increase with a 70% maximum rate for two years. Casino revenues dropped about 6.6% from 2002 to 2003.
- The final time revenues decreased from the previous year was last year. Revenues dropped an unprecedented 20.9% statewide.
- In other words, two of the three times our revenues have been “unstable” was a direct result of legislation being passed that had a brutal negative affect on our businesses. While some STILL choose to attribute this year’s decline solely to the struggling economy, I will discuss some facts that we believe support the industry’s argument that the major reason is the smoking ban.

I have included several charts in the packet you have received; the next chart depicts the revenue increases/decreases from 2007 to 2008 in the various states operating casinos. All the information I am presenting today is either from official IGB monthly reports, annual reports, data collected by your staff from the Illinois casinos or from the official websites of the IGB and other state regulatory agencies.

This chart shows that Illinois and Colorado had the largest decreases in revenues. Interestingly, both states enacted smoking bans which were effective on January 1, 2008. Some other jurisdictions experienced declines in gaming revenues as well in 2008, although all were far less than Illinois’ losses. Notably, gaming revenues in our bordering states of Indiana, Missouri and Iowa actually increased. We believe these increases were a direct result of the smoking ban. Yes, Missouri and Indiana each added casinos, but that in and of itself did not make up the total percentage differences between our losses and their gains.

Yes the economy hurt all casinos to some extent, but the Illinois, Indiana, Missouri and Iowa markets all have similar economies, and the same weather (also sometimes used as an excuse) and managed to generate small gains in their revenues, while Illinois was down almost 21%. The only major difference in 2008 between these markets was and is the smoking ban--- so far more credit must be given to the smoking ban for the severe downturn in gaming revenues in Illinois.

The 20.9 % drop in our nine operating casinos revenues equates to a loss of AGR of nearly \$414.7 million dollars. Our revenues have now returned to 1999 levels. For your information, the last nine charts in your packet depict the annual revenues for each casino. The next chart depicts the decline in admissions of 1,880,000 or 11.4%, falling to levels not seen since 1993. We believe close review of admissions data suggest that patrons are spending more time in the

casino smoking shelters and less time gambling. This chart does not include the additional 3% the four northern properties must pay to the race tracks. Actually, this amounts to almost 4 ½ % since we pay taxes on these revenues first.

Please see the next chart. In 2008 taxes paid to the state fell \$244.5 Million, some \$67.4 million was probably due to the sunset of the hold harmless payment provision, but, as much as \$177.1 million was mostly due to the smoking ban. (By the way, when I testified before numerous House and Senate committees related to the impacts of the smoking ban, I predicted as much as a 20% drop in revenues and a \$150 to \$160 million loss of taxes). Taxes paid to the state have declined to 2001 levels.

Please see the next chart. In addition to the state taxes lost, the local communities also suffered as well, experiencing a loss of \$22.6 million in gaming tax revenues in 2008. The taxes the locals receive have not been that low since 1999.

Please see the next chart. Finally, on the subject of employment, the Illinois gaming industry has lost 710 positions this past year. Our staffing levels have not been lower since 1992 when only 5 casinos were in operation. Thank goodness Jumer's Casino and Hotel filled 310 additional positions between July and December or the numbers would have been worse, over 1000 lost positions.

I began with a quote from the Riverboat Gambling Act and I would like to end with one. Section 16 of the Act states:

"The Board shall make an annual report to the Governor, for the period ending December 31 of each year. Included in the report shall be an account of the Board actions, its financial position and results of operation under this Act, the practical results attained under this Act and any recommendations for legislation which the Board deems advisable."

While the Illinois Gaming board has accomplished a great deal in the last two years, particularly with the awarding of the tenth license, and actively supporting the opening of the new facilities in East St Louis and Rock Island, we would ask that you also address the losses the nine casinos have sustained. In addition to affecting the industry, these losses more importantly harm the people of Illinois.

I know you were aware of some of the facts I have presented today, however these needed to be made part of the public record and still need to be addressed.

We ask that you be advocates for the industry, you can do this without being pro or anti gambling.

Administratively, we need to implement downloadable credits, while not substantial this will increase revenues and helps competition with bordering states. We have been working closely with Doug Bybee and his staff and while this is a good working relationship, they need help, I am asking you to consider increasing his staff to help speed up the approval process for both MICS and Internal control submissions.

OWNER LICENSEE ITEMS

- Harrah's Metropolis – License Renewal

Mike Rich, General Manager of the Harrah's Metropolis Casino addressed the Board.

Member Moore commented on the lack of diversity at the professional level, supplier diversity and community giving. Member Moore stated that these issues are on the radar screen. Member Moore hoped that there would be an improvement in the numbers. Mike Rich stated that he understood and will aim for improvement.

Based on a review of staff's investigation and recommendation, Member Moore moved that **the Board approve the Owner's License of the Southern Illinois Riverboat Casino Cruises, Inc. d/b/a Harrah's Metropolis Casino & Hotel for a term of 4 years expiring in February, 2013.**

Furthermore, staff recommends that the Board designate the following business entities, individuals and positions as Key Persons of Southern Illinois Riverboat Casino Cruises, Inc. d/b/a Harrah's Metropolis Casino & Hotel:

1. Hamlet Holdings, LLC;
2. Managing Member Hamlet Holdings, LLC.;
3. Harrah's Entertainment Inc.;
4. Harrah's Operating Company;
5. Players International, LLC;
6. Players Holding, LLC;
7. Gary W. Loveman;
8. Christy Rodriguez;
9. J. Carlos Tolosa;
10. Dennis Gallagher
11. Leon Black;
12. David Bonderman;
13. Jonathan Coslet;
14. James Coulter;
15. Joshua Harris, and
16. Marc Rowan.

Member Sullivan seconded the motion. The Board approved the motion unanimously by roll call vote.

- Harrah's Metropolis – David Williams, Vice President, Non-Gaming Operations – Level One.

Based on staff's investigation and recommendation, Member Gardner moved that **the Board approve David Williams as an Occupational Licensee Level 1 in the position of Vice President, Non-Gaming Operations at Harrah's Metropolis Casino & Hotel in Metropolis, Illinois.** Member Moore seconded the motion. The Board approved the motion unanimously by roll call vote.

SUPPLIER LICENSEE ITEMS

- U. S. Playing Card Company – Phillip Dolcimascolo, President, Key Person

Based on a review of staff's investigation and recommendation, Member Winkler moved that **the Board approve Phillip Dolcimascolo as a Key Person for U.S. Playing Card Company as President.** Member Gardner seconded the motion. The Board approved the motion unanimously by roll call vote.

- U. S. Playing Card Company – License Renewal

Based on Staff's investigation and recommendation, Member Winkler moved that **the Board approve the renewal of U. S. Playing Card Company's Supplier's License for a period of four years, expiring in February, 2013.**

Further, based on staff's recommendation, Member Winkler moved to **designate the following positions, persons and entities as Key Persons of the licensee:**

1. **Chief Executive;**
2. **President;**
3. **Chief Operating Officer;**
4. **Phillip Dolcimascolo;**
5. **Bicycle Holdings, Incorporated;**
6. **United States Playing Card Holding, Incorporated, and**
7. **Jarden Corporation, Inc.**

Further, based on staff's recommendations, Member Winkler moved to **approve USPCC's approved Supplier's List including the following items:**

1. **Playing Cards, and**
2. **Dice.**

Member Moore seconded the motion. The Board approved the motion unanimously by roll call vote.

OCCUPATIONAL LICENSES APPROVALS & DENIALS – LEVEL 2’S & 3’S

Based on staff's investigation and recommendation, Member Sullivan moved that **the Board approve 22 applications for an Occupational License, Level 2, and 79 applications for an Occupational License, Level 3.**

Further, Member Sullivan moved that **the Board direct the Administrator to issue a Notice of Denial to the following individuals who received notice that staff intended to recommend denial and either did not respond or provide additional information to rebut the recommendation.**

1. Sean Allen;
2. Jon C. Yancy;
3. Cassie L. Earley; and
4. Sonya K. Sanders

Member Moore seconded the motion. The Board approved the motion unanimously by roll call vote.

PROPOSED COMPLAINTS AND DISCIPLINARY ACTIONS

- Janine M. Gibson - Occupational Licensee

Based on staff's investigation and recommendation, Member Moore moved that **the Board issue a Disciplinary Complaint against Janine M. Gibson, an occupational licensee, for failing to disclose an October 2, 2008 arrest.**

Further, Member Moore moved that **the Board suspend Janine M. Gibson's occupational license for 7 work days without pay. Said action to take effect twenty-one (21) days from the date of service of the complaint unless the licensee files an Answer within that time period.** Member Sullivan seconded the motion. The Board approved the motion unanimously by roll call vote.

- James E. Dvorak – Placement on the Exclusion List

Chief Counsel Michael Fries addressed the Board and stated the following:

James E. Dvorak was served with a Notice of Exclusion by Illinois Gaming Board agents on January 8, 2009.

The Notice of Exclusion advised Mr. Dvorak that as of January 13, 2009, he was excluded from all Riverboat Gambling operations in Illinois. The Notice also advised Mr. Dvorak of the basis for his exclusion, that it was recommended to the Gaming Board that the exclusion be permanent and that Mr. Dvorak had 30 days to request a hearing if he wanted to contest the exclusion.

On January 16, 2009, Mr. Dvorak filed a Request For Hearing.

The first issue that the Board must determine today is whether or not Mr. Dvorak's exclusion should be permanent.

The Riverboat Gambling Act specifically provides for the exclusion of persons from gambling operations in Illinois.

The criteria for Exclusion and Placement on the Board Exclusion List are found in section 720 of the Board's Adopted Rules.

The Administrator may place a person on the Board Exclusion List if that person has:

- a. been convicted in any jurisdiction of a felony, any crime of moral turpitude or a crime involving gaming;
- b. violated either the Act or the Rules;
- c. performed any act or had a notorious or unsavory reputation that would adversely affect public confidence and trust in gaming; or
- d. his or her name is on any valid and current exclusion list from another jurisdiction in the United States.

In this case, the Board has been provided with information which demonstrates that Mr. Dvorak meets several of these criteria.

In January 1993 Mr. Dvorak and another individual were indicted on several charges.

In 1994 Mr. Dvorak pled guilty to accepting bribes and tax-conspiracy charges, both felonies while he was the Cook County Undersheriff. The Undersheriff is the number two person in the Sheriff's Office and reports directly to the Cook County Sheriff.

When he was sentenced, the United States District Court Judge commented that he believed that Dvorak had abused the public trust. The judge was quoted as saying "I think he sold it as soon as he got it". (the office of undersheriff)

In September 1995 Mr. Dvorak was indicted again. This time he was charged with providing ghost payroll jobs and with manipulating passing grades on entrance tests and promotion tests.

In 1996 Mr. Dvorak pled guilty to mail fraud and admitted that that he handed out ghost jobs to at least 17 individuals. He also pled guilty to directing the falsifying of test results for applicants for jobs with the sheriff's office. He also directed that passing grades be given to certain deputy sheriffs who took a promotions test in 1988.

Mr. Dvorak appealed sentencing aspects of both convictions and the 7th Circuit Court of Appeals issued opinions upholding the sentences imposed in both cases.

Mr. Dvorak's convictions for bribery and mail fraud are crimes of moral turpitude.

Until his exclusion on January 13, 2009, Mr. Dvorak frequented and gambled at an Illinois casino.

Mr. Dvorak came to the attention of the IGB in the course of ongoing investigations not related to the 10th License.

In summary, Mr. Dvorak is a felon. In fact, in his Request for Hearing, Mr. Dvorak does not dispute his convictions, which are a matter of public record. He has been convicted of crimes of moral turpitude. His conduct underlying his convictions for accepting bribes, tax-conspiracy and mail fraud adversely affects public confidence and trust in gaming. From the time that Mr. Dvorak entered politics in the 1980s he received extensive media coverage. Mr. Dvorak went from someone heralded in the press as a person to watch in 1988 to a twice convicted felon by 1996. The charges against him were extensively covered by the media and were published in numerous newspapers such that he has a notorious and/or unsavory reputation that adversely affects public confidence and trust in gaming.

Based on the foregoing, staff recommends that the Board take final action to permanently exclude Mr. Dvorak from all riverboat gambling operations in Illinois.

Based on staff's recommendation and pursuant to section 3000.730 of the Adopted Rules, Member Winkler moved to **permanently exclude James E. Dvorak from all riverboat gaming operations in Illinois due to the following: his admitted felony convictions; his convictions for bribery and mail fraud constitute crimes of moral turpitude; the conduct underlying his convictions for accepting bribes, tax-conspiracy and mail fraud adversely affect public confidence and trust in gaming, and his notorious and unsavory reputation that adversely affects public confidence and trust in gaming.** Member Gardner seconded the motion. The Board approved the motion unanimously by roll call vote.

ADMINISTRATIVE HEARINGS/ALJ

- Request for Hearing – James E. Dvorak

Based on the review of staff's investigation and recommendation, Member Sullivan moved **that James E. Dvorak's request for a hearing be denied based on the fact that he admitted, in his Request For Hearing, to having two felony convictions and, further, because he has offered no facts that establish a prima facie case that (1) he does not have 2 felony convictions; (2) that his convictions for bribery and mail fraud do not constitute crimes of moral turpitude (3) that the conduct underlying his convictions for accepting bribes, tax-conspiracy and mail fraud does not adversely affect public confidence and trust in gaming or (4) that he does not have a notorious and/or unsavory reputation that adversely affects public confidence and trust in gaming.** Member Gardner seconded the motion. The Board approved the motion unanimously by roll call vote.

- In Re: The Disciplinary Action of Eugene Friscia DC-08-74
Pursuant to section 3000.1155 of the Adopted Rules, Member Gardner moved **for the adoption and entry of the attached Final Board Order revoking the Occupational License held by Eugene Friscia and setting forth therein our bases for revocation.** Member Sullivan seconded the motion. The Board approved the motion unanimously by roll call vote.

At 1:40 p.m. Member Winkler motioned to adjourn while Member Gardner seconded the motion. All Members voted in favor of adjournment.

Respectfully submitted,

Mary C. Boruta
Secretary to the Administrator